

AN UPDATE ON
YOUR
CORPORATION

REPORT TO ALASKANS

04

ALASKA HOUSING FINANCE CORPORATION

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This Year, Your Corporation . . .

- Helped more than **4,800** ALASKANS PURCHASE OR REFINANCE HOMES with **\$719** million in loans, of which **\$317** million went to first-time home buyers. This is the second consecutive year that AHFC loan commitments exceeded **\$1** billion, while mortgage purchases totaled **\$867** million.
- Conducted **289** FREE HOME-BUYING SEMINARS in **57** communities, attracting **4,575** Alaskans. Twenty-five people participated in a home-study course. AHFC also held continuing education classes in **11** communities for nearly **332** Realtors and builders.
- Provided **\$87.2** MILLION IN AHFC MULTI-FAMILY LOAN FINANCING. Since 1994, AHFC has provided **\$411.7** million in competitive loans, many combined with grants and tax credits, to assist developers in building and/or upgrading nearly **10,600** units of rental housing in **28** communities throughout the state.
- Awarded **\$5.93** MILLION IN GRANTS AND FEDERAL TAX CREDITS to produce **185** RENTAL HOUSING units under the Low-Income Housing Tax Credit Program, Senior Citizens Housing Development Fund and HOME programs.
- Completed WEATHERIZATION UPGRADES ON NEARLY **678** units, benefiting nearly **800** elderly and disabled Alaskans and children under 6 years of age.
- Provided **240** VETERANS with low-interest home loans totaling **\$43.6** million. AHFC is one of only five states eligible to provide loans under the Veterans Mortgage Program.
- Provided rental assistance to more than **4,000** SENIORS, PERSONS WITH DISABILITIES, AND FAMILIES UNDER THE HUD SECTION 8 VOUCHER PROGRAM in the **12** communities served by the program. Nearly **\$20** million a year is paid to private landlords for rental assistance for Alaskans who earn less than 50 percent of the median income.
- Since 1986, transferred **\$1.5** BILLION IN EQUITY TO THE STATE OF ALASKA after paying all of AHFC's operating and capital expenditures. AHFC's assets now total **\$5** billion.
- Provided **100** PERCENT FINANCING TO **112** TEACHERS AND NURSES in **19** communities under AHFC's new Teachers and Nurses Housing Loan Program.

AHFC Overview

Alaska Housing Finance Corporation (AHFC) is a self-supporting public corporation created by the Alaska State Legislature in 1971. That means AHFC is your asset. Its purpose is to provide safe, sanitary and energy-efficient housing to Alaskans through affordable mortgage loan programs or rental housing for families of low-to-moderate incomes.

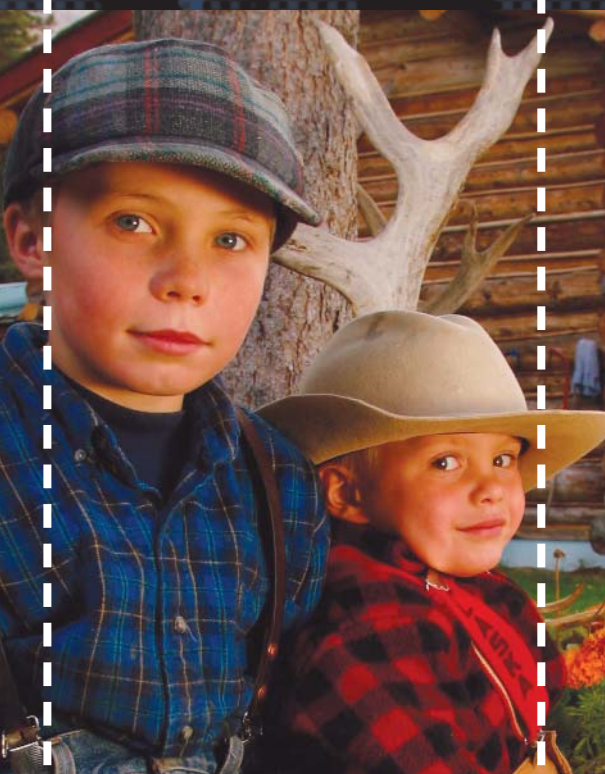
Even broader in scope, AHFC manages a variety of programs designed to improve the quality of all housing throughout Alaska. Long involved with weatherization and energy-efficiency grants, studies and programs, AHFC is now carrying out research projects with the Cold Climate Housing Research Center that have practical significance for every Alaskan. (See story on page 4.)

In a state with one of the fastest growing senior populations, senior-housing programs are in greater and greater demand. Look into senior housing in many communities, and you'll see your corporation at work.

With the aging population comes increased need for health care services and workers – especially nurses. AHFC is assisting with no-down-payment loans for nurses; and with the shortage of teachers, the same option is available to them. (See page 3.) With key military installations based in our state, AHFC is also involved with the long-term financing of new and remodeled housing for military families. (See page 3.)

And your corporation is profitable! Since 1986, it has contributed \$1.5 billion to the state in the form of direct dividends going into the "general fund" (the state's funding source for all services and programs); providing funds to the state for capital (building and equipment) improvements; bonding for projects such as university student housing; purchasing state assets, such as the Atwood Building; and deferred maintenance of state-owned property.

"AHFC MANAGES A VARIETY OF PROGRAMS
DESIGNED TO IMPROVE THE QUALITY OF ALL
HOUSING THROUGHOUT ALASKA."



AHFC Provides \$87 Million in Multi-Family Financing

TAX CREDITS FUND RENTAL HOUSING

Last year AHFC financed a total of \$87.3 million of multi-family housing in 14 communities. Of that amount, more than \$63 million is being used to build 1,044 units of new rental housing in seven communities, while the balance provided long-term financing and upgrades to existing properties.

Tax credits allocated by AHFC help make new projects feasible. Since 1987 when the Low-Income Housing Tax Credit Program began and AHFC was designated the allocating agency, AHFC has allocated nearly \$14.5 million in tax credits to assist in developing nearly 2,400 units of multi-family rental housing in 23 communities. The

tax-credit allocations are available annually to the developer or investor for 10 years, essentially bringing the total tax-credit allocation to nearly \$145 million.

AHFC has provided \$455 million in long-term financing to developers and non-profit organizations to build and/or purchase and rehabilitate 501 multi-family projects since 1994. That equates to 11,033 units of affordable rental housing in 27 communities. Whether renters live in Anchorage with its increasing population density or in rural Alaska, AHFC was probably involved in making their housing possible.

ALASKA'S HOMEOWNERSHIP RATE SURPASSES NATIONAL AVERAGE

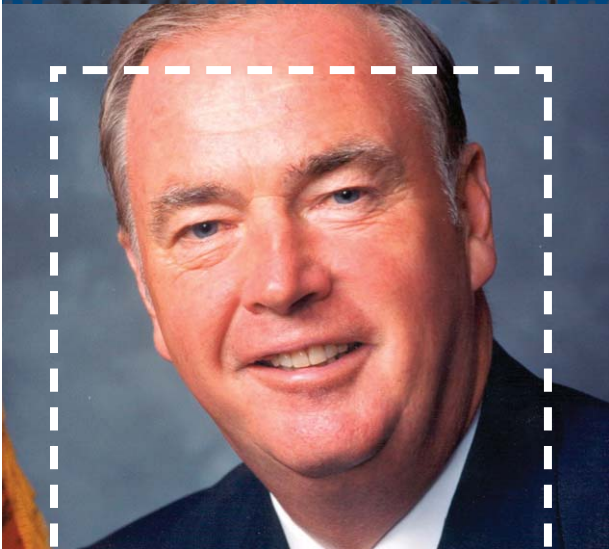
Alaska's homeownership rate reached an all-time high of 70.0 percent in 2003, surpassing the national rate of 68.3 percent, according to the latest U.S. Census data. Alaska's homeownership rate was higher than the nation's once previously, in 1997. The Census data show Alaska experienced a 13.4 percent increase in homeownership over the previous 10 years, the highest of any state in the nation.

"Low interest rates have had a profound effect on purchases," said AHFC's CEO/Executive Director Dan Fauske, "and our new programs, including a first-time homebuyer program without income or acquisition cost restrictions and a teachers and nurses housing loan program that provides 100 percent financing, have encouraged many renters to purchase their first home."

The average sales price of a single-family home in Alaska increased 44 percent from \$145,231 to \$209,416 between 1994 and 2003, according to a survey conducted for AHFC by the Alaska State Department of Labor and Workforce Development. AHFC financed the purchase of 37,957 homes during that period.



Governor's Message



GOVERNOR Frank Murkowski

The Alaska Housing Finance Corporation is one of Alaska's great success stories. Throughout the state today, thousands and thousands of residents enjoy safe, affordable, quality housing thanks to programs offered by AHFC.

Some Alaskans benefit from extra low interest rates on mortgages backed by AHFC that are made available to first-time home buyers, qualified veterans, low-income families, and rural residents, along with no-down-payment loans to teachers, nurses, and other health care professionals.

Thousands of individuals have attended the free HomeChoice seminars and workshops AHFC conducts across the state. Other Alaskans take advantage of AHFC's interest-rate reductions for energy-efficient homes or receive assistance to improve weatherization of their homes.

Many residents benefit from AHFC's rental assistance programs for low-income families, seniors, and disabled Alaskans. Others live in the senior housing facilities or multi-family apartments owned and operated by AHFC. Hundreds of families of military service members based in Alaska benefit from new base housing financed by this state corporation.

Developers, non-profit organizations, and local housing authorities can take advantage of federal tax credits managed by AHFC as an incentive to build new senior housing and multi-family housing facilities across the state.

Every Alaskan stands to benefit from research at the Cold Climate Housing Research Center in Fairbanks. AHFC has helped fund this project, raising more than \$2 million for its operation.

Every Alaskan benefits from the annual dividend paid by AHFC that helps fund essential state services. In recent years the annual contribution has been \$103 million. Last year I signed legislation that stipulates the amount of future annual dividends AHFC will pay to the state, linking the dividend to a percentage of earnings. This change will continue to provide future dividends to the state and assure the continued fiscal health of the corporation.

On behalf of the many Alaskans who benefit from the work of AHFC, congratulations to the management and employees for another great year.

Frank Murkowski
GOVERNOR

New Teacher Housing for Kotzebue and Savoonga

In February, AHFC awarded two grants for the construction of teacher housing in rural Alaska. With these grants, NW Arctic School District is building 18 homeownership units in Kotzebue, and Bering Straits School District will build four rental units in Savoonga. The combined projects are worth nearly \$6 million, with \$2.15 million coming from AHFC grant funds. Both projects are under way, and have a targeted occupancy of Christmas or early 2005.

AHFC received four applications for the funds. The remaining two applications from Togiak and AVCP (Association of Village Council Presidents - Yukon-Kuskokwim River Delta) are receiving funding from the Denali Commission.

Surveys conducted by AHFC and Alaska school superintendents identified housing as one reason for poor teacher retention. In response, the Alaska Legislature authorized AHFC to develop a gap-financing program for teacher housing in rural Alaska.

U.S. Senators Ted Stevens and Lisa Murkowski were instrumental in Alaska receiving a \$10 million appropriation through the Denali Commission. From these funds the Denali Commission set aside \$5 million for AHFC to use in gap financing to achieve at least \$10 million of teacher housing this year. The Alaska Legislature approved \$2 million of AHFC's \$4.2 million request for teacher housing in the FY05 capital budget.

The purpose of the grant funding is to fill the gap between the housing project's capacity to carry debt and the total development cost. The grant is used in conjunction with AHFC's current loan programs. AHFC designed the competitive program to meet all possible housing scenarios: homeownership, lease-purchase, and rental; allowing for new construction, rehabilitation, or acquisition.

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AHFC's mission is to provide Alaskans access to safe, quality, affordable housing. We provide programs and services that respond to the diverse housing needs of Alaskans.

AHFC offers loan programs not available from others, such as low-interest loans for first-time home buyers, veterans, low-income families, rural residents, and those desiring energy-efficient homes. This report summarizes the special housing loan and rental assistance programs we offer. In all, over the past fiscal year, AHFC financed \$867 million in mortgages.

The corporation makes annual dividend payments to the state. Over the past 18 years, AHFC has transferred almost \$1.5 billion to fund state capital projects, and we receive no appropriation from state government to conduct our business operations or for capital investments. Our funding comes primarily from investors in Alaska and on Wall Street, who purchase our bonds at favorable interest rates, because we've worked hard to maintain a strong rating from the agencies.

It's one of the reasons why we were pleased to work with Governor Murkowski and the Legislature to pass House Bill 256. This law solidifies the annual contribution AHFC makes to

the state, by tying it to a percentage of net earnings. This resulted in an increase in our bond rating by Standard & Poor's from an AA- to AA, allowing AHFC to continue to offer competitive mortgage rates to Alaskans.

We value our good working relationship with the state administration and Legislature, Alaska's congressional delegation, federal agencies, local governments, Native corporations, and our housing partners across the state: commercial banks, mortgage companies, credit unions, Realtors, home builders, construction contractors, and the many nonprofit groups that deliver housing services.

We especially value the support of the people we serve—the residents of this great state. There are still plenty of needs for housing to be met. With your continued support, we will endeavor to meet all of these needs.

Daniel R. Fauske
CEO/EXECUTIVE DIRECTOR

Frank Roppel
AHFC BOARD CHAIR



Daniel Fauske
CEO/EXECUTIVE DIRECTOR

Dear Alaskans

Frank Roppel
AHFC BOARD CHAIR



7.8 Million Renovation for Anchorage Senior Rental Housing Completed

AHFC HOSTS CHUGACH VIEW SENIOR HOUSING REDEDICATION

A rededication of the 120 units of rental housing at the Chugach View senior facility in Anchorage was held July 2, 2004. AHFC completed a \$7.8 million interior and exterior renovation. The project evolved in four phases, with one wing under construction while other wings were occupied. After completion of each wing, tenants moved into the newly remodeled facilities, and construction moved to the newly vacated area.

Chugach View is a three-story structure built in 1977 at a cost of \$10.8 million using federal funds from the U.S. Department of Housing and Urban Development

(HUD). AHFC owns and manages the building, while HUD continues to provide operating money. The property's one-bedroom units are income restricted for seniors and those meeting the definition of disabled. USKH designed the project, and Gamble Construction, Inc., served as general contractor. The renovation included new landscaping and parking lots, covered and heated exterior walkways, and renovation of the interior of all units and common areas. The celebration coincided with the popular annual Independence Day barbeque for residents of Chugach View and the adjoining Chugach Manor, 120 units of senior housing also owned and operated by AHFC.



No-Down-Payment Housing Loans for Teachers and Nurses

PROGRAM HELPS IN RECRUITMENT AND RETENTION

"AHFC is proud to help schools and hospitals obtain and retain teachers and nurses by expanding their home ownership opportunities," said AHFC CEO/Executive Director Dan Fauske. Since SB 25, sponsored by Sen. Gary Wilken (R-Fairbanks), went into effect in August 2003, AHFC has provided \$23 million for 100 percent financing to 125 teachers and nurses in 20 communities under AHFC's new Teachers and Nurses Housing Loan Program. The 100 percent financing means that no down payment is required. The program is for homebuyers who are employed full time as registered nurses or in a public elementary or secondary school as teachers, counselors, principals, vice or assistant principals and providers of special education or related services.

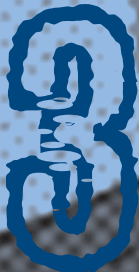
Rep. Peggy Wilson (R-Wrangell) was a strong supporter of the legislation behind this program. A nurse herself, Wilson believes that this program will be a good tool in recruiting and retaining nurses. "We're nowhere close to the numbers we need. Four thousand more nurses will be needed by 2010. The average age of Alaskan nurses is over the national average. Many are going to retire. We need something to attract and keep new nursing graduates."

Camille Soleil, JD, Executive Director of the Alaska Nurses Association agrees. "We're glad this program is in place. It is an excellent piece for retention."



Shirlee Brandon and Myong Lee join in the Independence Day celebration at Chugach View and Chugach Manor senior housing in Anchorage. The picnic served as the rededication of the recently completed major renovation at Chugach View.

Patrick and Anna Knapp bought their first home using AHFC's new Teachers and Nurses Housing Loan Program. Here Umpi joins them on their new deck. Anna teaches at Dimond High, with Patrick a teachers' assistant at West High.



AHFC Board Approves \$110 Million Loan for Elmendorf Military Housing

FUNDING TO PROVIDE 1,194 NEW OR RENOVATED UNITS

"Within four years, nearly 1,200 military personnel stationed in Alaska will be living in new or upgraded housing," Governor Frank Murkowski said in early June. He made the announcement after Alaska Housing Finance Corporation's (AHFC) board of directors approved a \$110 million loan for the project, a public/private partnership to improve housing on military bases.

The term loan to Aurora Military Housing, LLC (Aurora) is for Phase II to build or renovate 1,194 housing units on Elmendorf Air Force Base, Anchorage. AHFC anticipates the final loan amount to be approximately \$106.7 million, pending final negotiations with the Air Force. Total development cost of the project is estimated at \$232 million. "Approximately 700 jobs will be created, with \$25.5 million in wages and salaries," Murkowski said.

The Elmendorf project is part of a national initiative by the military to improve housing for military personnel through incentives to private developers. Phase II of the project involves an approximately four-year real estate transaction under which, at completion, there will be 1,194 housing units. The Air Force will convey 986 existing housing units and provide a 50-year lease for 586 acres of improved land on which the units are located. Of the existing units, 552 will be demolished, 552 units will be newly constructed to replace the demolished units, 310 units will be renovated, and 124 will remain as is. To achieve the 1,194 required housing units, an additional 208 units will be constructed. In all,

a total of 760 units will be newly constructed.

"AHFC has spent more than a decade working with private developers to improve the quality of military housing throughout Alaska," said AHFC CEO/Executive Director Dan Fauske, "and we're glad to continue that tradition with this loan to Aurora. They did a great job with Phase I, and now Phase II should really put a dent in the need for quality housing on the base."

AHFC's first endeavor into financing military housing occurred in 1990 when AHFC provided a \$54 million, 30-year term loan to build 366 units of military housing on Eielson AFB, near Fairbanks.

In 2001, AHFC provided a \$48 million, 30-year term loan to Aurora Military Housing, LLC, for Phase I of housing for military personnel on Elmendorf AFB. The development consisted of new construction, renovation, and demolition. At the completion of the project, there were 828 new or renovated units.

Phase I at Elmendorf has been widely identified as one of the most successful housing privatization projects in the Air Force and received the Air Force's highest overall rating in its quarterly report and earned that rating throughout 2003.



Phase I housing at Elmendorf, seen under construction in 2001, received the Air Force's highest rating in the country and has been identified as one of the most successful housing privatization projects in the country.

Pacific Air Force Command selected "Dallas" housing project in Phase I as the residential project of the year, and Headquarters Air Force selected Phase I as its nominee for the National Association of Installation Developers residential project of the year for 2003.

The contractor, Aurora Military Housing, LLC, is a limited liability company formed for the purpose of developing and owning military housing. The LLC consists of Elmendorf Housing, LLC, as managing member and Anchorage Housing, LLC.

Alaska Housing
FINANCE CORPORATION

GET MORE INFORMATION

Most Loan Programs: Call your lender

**Rural Loans: Call your local lender
or AHFC at 800/478/4585**

**HomeChoice Seminars: 907/330/8437
or 800/459/2921 (outside Anchorage)
or www.ahfc.us**

**General Information: 907/338/6100
or 800/478/2432 (outside Anchorage)
or www.ahfc.us**

WWW.AHFC.US

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AHFC/Cold Climate Housing Research Center

RESEARCH REDUCES AIR POLLUTION INSIDE OUR HOMES

The Cold Climate Housing Research Center, an independent, non-profit organization, began five years ago through efforts of the Alaska Home Builders Association. Its goal is to provide practical, but credible science-based research for improved homebuilding and solutions to problems that plague many Alaskan homes. AHFC has funded a number of those research projects, including studies this year to address the problems of polluted interior air.

When homes are made more energy efficient, proper ventilation is a must; otherwise, unhealthy air may result. Over the past year, a study of natural-gas hot-air-furnace and ventilation systems has taken place in Anchorage where the tragic carbon monoxide deaths of a local family brought focus to the issue. The Center is studying the garage-house airflow connection in particular and is looking at improved ventilation strategies and recommendations.

In another study of 100 homes on the Kenai Peninsula, radon proved to be a problem in 25% of them. The good news is that these radon problems can be resolved at reasonable cost, according to the Cold Climate Housing Research Center.

The Cold Climate Housing Research Center conducts research in the state's five distinct climate regions. "Our mutual goals of providing energy-efficient, durable, healthy and cost-effective housing make this relationship with CCHRC a natural partnership," said Scott Waterman, of AHFC's Research and Rural Development Division.

If you are interested in learning more about current research, visit us at www.ahfc.us and look for Energy Programs or contact the Cold Climate Housing Research Center at www.cchrc.org.

Tips From AHFC

CARBON MONOXIDE

Carbon monoxide (CO) is the number one cause of poisoning in the United States. Alaska has the highest per capita carbon monoxide death rate in the nation. CO alarms are now required by Alaska state law to be installed in new residences that have carbon-based fueled appliances or attached garages.

The most reliable CO alarms are considered to be those with IAS 6-96 Standard certification and designated with a Blue Star logo on the box. Carbon monoxide is not significantly lighter than air and does not necessarily "rise" in a house. Alarms should be installed on each level of the home.

Alarms are a good backup for detecting problems, but they are not a substitute for proper installation and regular maintenance of fuel-burning appliances. For more information on indoor air quality, go to the U.S. Consumer Product Safety Commission at www.cpsc.gov/cpscpub/pubs/iaq.html.

FINDING A LICENSED HOME INSPECTOR

Home inspections are a requirement for every AHFC home loan. Effective July 2004, home inspectors in Alaska must be licensed. To find a licensed home inspector in your area, visit the state's website at www.dced.state.ak.us/occ/OccSearch/main.cfm.

Like shopping for a real estate agent or lender, selecting a home inspector may take some effort on your part. Ask your real estate agent, family, or friends for recommendations. Interview potential inspectors and ask about qualifications and experience. Ask to review a sample inspection report to see what will be covered and inquire as to whether their experience is related to new construction, existing homes, or both. Find out what credentials they have, and if they are certified by the International Conference of Building Officials (ICBO) or the International Code Council (ICC).